

# A GUIDE TO WISCONSIN'S TAX INCREMENT LAW

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***Creating A District***  
*Approving and Amending Project Plans*  
*Collecting Tax Increments*

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## INTRODUCTION

Wisconsin's Tax Incremental Finance (TIF) program was approved by the legislature in 1975, and the first districts (TIDs) were created in 1976. Its purpose is to provide a way for a city or village to promote tax base expansion through its own initiative and effort.

The legislature found municipalities were postponing or canceling public improvements that would allow new development because their taxpayers paid the price, while everyone that shared the expanded tax base profited. Establishing a tax incremental system relieved this inequity. Plus it benefited Wisconsin's people by improving and otherwise promoting their health, safety, welfare, and prosperity.

TIF is aimed at eliminating blight, rehabilitating declining property values, and promoting industry and mixed-use development. There were already other laws in place for these purposes, but lack of incentives and financial resources had stymied efforts to use them effectively. TIF works because it provides its own financing resource. It is basically a financing tool that cities and villages can use to promote tax base expansion.

When a TIF district is created the aggregate equalized value of taxable and certain city-owned property is established by the Department of Revenue. This is called the Tax Incremental Base. The city then installs public improvements, and property values grow. Taxes paid on the increased value are used to pay for projects undertaken by the city. This is the Tax Increment. It is based on the increased values in the TID and levies of all the taxing jurisdictions that share the tax base.

The city, county, school districts, and other taxing jurisdictions do not benefit from taxes collected on value increases in the district until project costs have been recovered. After that, the added value is included in the apportionment process and everyone gains.

The underlying assumption of the TIF Law is that no new development would have taken place if the city had not created the TID. Public improvement costs needed to develop or redevelop the area would have been too prohibitive for the city and/or developer to do alone. So the necessary public works would not have been done. TIF provides a way for all entities benefiting from the expanded tax base to help pay the costs of promoting it.

Provisions of the "TIF Law" are in Wisconsin Statute sections 66.1105, 66.1106 and 60.85. The following pages describe how to create a Tax Incremental District, and amend a TID project plan. It is presented in outline form with statutory references provided for each item. Answers to often asked questions about TIF districts are also included.

## **CLASS 2 NOTICE REQUIREMENTS**

**Warning:** Failure to comply with the Class 2 Notice requirements will mean the Department of Revenue cannot certify the Tax Incremental District's Base Value.

**Please read the following information carefully.**

Wisconsin Statute 985 deals with the publication of legal notices and public newspapers. It says:

A Class 2 Notice requires 2 insertions (publications) in the newspaper. [s. 985.07(2)]

These insertions must take place once each week for consecutive weeks, with the last one published at least one week before the act or event. (in this case the event is the public hearing). [s. 985.01(1)]

The computation of time between the last insertion excludes the day of publication, and includes the day the public hearing takes place. [s. 985.09(1)].

An example of the timing for a typical Class 2 Notice is shown below. It assumes the newspaper is published weekly.

1st Insertion	- June 13, 2005	(Monday)
2nd Insertion	- June 20, 2005	(Monday)
Hearing Date	- June 27, 2005	(Monday)**

\*\* The earliest date the public hearing could be held with these publication dates

In the above example, there is a week between the first and second newspaper insertions. With a daily paper the two insertions must be in separate calendar weeks, but not necessarily seven days apart. *Also note that the hearing date of June 28th is a week after the second insertion, and is the earliest day the public hearing could be held in this case.*

An easy way to determine the earliest date the public hearing may be held is to add '7' to the date the second insertion appears in the newspaper. If the 2nd insertion is on Wednesday, June 21st, the public hearing could not be held before Wednesday, June 28th. *(The same amount of time is required between the 2nd insertion and the hearing with a daily paper).*

Please consult your municipal attorney for further clarification.

## **How Does A Municipality Create A Tax Incremental District?**

When a municipality decides to establish a TIF district, it must notify the affected taxing entities of its intention and hold public hearings to allow all interested parties to be heard.

There are two ways a municipality can choose to hold the required public hearings. It can hold separate public hearings, one to consider the boundaries and one for the project plan. Or it can hold a combined hearing. This section will describe each method individually, beginning with the “combined hearing”, which is the simpler and most commonly used method.

In either case the Planning Commission initiates the process. It develops the project plan, holds the public hearings and recommends boundaries. The local legislative body\* reviews the Planning Commission decisions, approves the project plan, creates the district and determines its boundaries. A Joint Review Board must also approve the proposal.

\*Common Council or Village Board

### **Combined Hearing Method**

This method combines the project plan and boundary hearings. To implement the TIF law provisions, the following steps are required:

1. Prepare a proposed project plan which includes:
  - a. A listing of the kind, number and location of the proposed public works or improvements within the district.
  - b. An economic feasibility study.
  - c. A detailed list of estimated project costs.
  - d. A description of the financing methods and the time when the costs or obligations are to be incurred.
  - e. A map showing existing uses and conditions of real property in the district.
  - f. A map showing proposed improvements and uses.
  - g. Proposed changes in zoning ordinances, master plan (if any), map, building codes and city ordinance.
  - h. A list of estimated nonproject costs.
  - i. A statement of the proposed method for relocation of any displaced persons.
  - j. Indication as to how creation of the district promotes orderly development in the city.
  - k. An attorney’s opinion advising whether the project plan is complete and complies with the law.

**PREPARE  
PROPOSED  
PROJECT PLAN  
66.1105(4)(f)**

The Planning Commission prepares the project plan.

2. Prepare a notice indicating when the public hearing on the proposed project plan, boundaries and creation of the district will be held. The notice must include a statement advising that a copy of the proposed plan will be provided on request. If it is anticipated that the proposed project plan’s project costs include cash grants made by the city to owners, lessees, or developers of land that is located within the tax incremental district, the hearing notice should contain a statement to that effect. It could also contain a brief description or a map of the area proposed to be included in the district.

**PREPARE NOTICE  
OF PUBLIC HEARING  
66.1105(4)(e)**

- |  |  |
|--|--|
| <p>3. <u>Identify specific properties</u> in the TID that are blighted or in need of rehabilitation or conservation work. <u>Owners</u> of these properties <u>must be notified</u> of this finding and the hearing date at least 15 days before the hearing is held. (Not required for industrial districts).</p>   | <p><b>NOTIFY CERTAIN<br/>PROPERTY OWNERS<br/>66.1105(4)(c)</b></p>   |
| <p>4. <u>Send a copy of the hearing notice</u> to all affected taxing entities by <u>First Class mail</u>, prior to publishing the notice. It goes to the school board of any school district that includes property located within the district and to the Chief Executive Officer of the other governmental units that have power to levy taxes on the property in the district. Besides the school districts, county, and vocational technical districts, some examples of taxing entities that may be affected are, lake rehab and protection districts, sanitary districts and metro sewer districts.</p>   | <p><b>SEND NOTICE BY<br/>1ST CLASS MAIL TO<br/>LOCAL<br/>GOVERNMENTAL<br/>ENTITIES<br/>66.1105(4)(a), (e) &amp;<br/>(5)(d)</b></p> |
| <p>5. <u>Publish a Class 2 notice</u> under W.S. Chapter 985. It should indicate the public hearing date, information as to where the proposed district is located and a statement indicating a copy of the project plan will be provided on request. If proposed project plan costs include cash grants made by the city, the hearing notice shall contain a statement to that effect. It is important that the hearing notice is sent by 1st class mail. It is important that the hearing notice is published properly, the Department of Revenue cannot certify the district without a timely hearing notice publication. <u>See the warning on page 3.</u></p> | <p><b>PUBLISH CLASS 2<br/>NOTICE<br/>66.1105(4)(e) &amp; (5)(d)</b></p>  |
| <p>6. <u>Convene a Joint Review Board</u>. Members of the Board are appointed by the school district, county, vocational school district and the municipality. (If located in a union high school district, the school district representative for the board shall be held by 2 representatives, each of whom has one-half of a vote.) There is also a public member appointed by the others. The Board must hold its first meeting within 14 days of the first hearing notice publication, but before the public hearing. The chairman and public member should be selected by the others at the first meeting.</p>   | <p><b>CONVENE<br/>JOINT REVIEW BOARD<br/>66.1105(4m)(a)</b></p>  |
| <p>7. <u>Hold a public hearing</u>. The Planning Commission conducts the hearing. All interested parties must be given a reasonable opportunity to express their views on the plan and the proposed boundaries. After due consideration the Planning Commission adopts the plan and designates recommended boundaries. These are both submitted to the local legislative body for approval.</p>  | <p><b>HOLD PUBLIC<br/>HEARING FOR TID<br/>PROJECT PLAN AND<br/>BOUNDARIES<br/>66.1105(4)(a)(e) &amp; (f)</b></p>                   |
| <p>8. <u>Approve the project plan</u>. The project plan must be approved by the legislative body anytime prior to or when the creation resolution is adopted. The approval is by resolution that contains findings that the plan is feasible and in conformity with the municipality's master plan, if it has one.</p>   | <p><b>ADOPT<br/>PROJECT PLAN<br/>66.1105(4)(g)</b></p>   |
| <p>9. <u>Adopt the creation resolution</u>. The legislative body may adopt the creation resolution no sooner than 14 days after the public hearing has been held. It must be adopted on or before September 30 for the district to be effective the previous January 1. If it is adopted after September 30 of any given year the district will be effective the next subsequent January 1. See table on following page.</p>   | <p><b>ADOPT TID<br/>BOUNDARIES<br/>BY RESOLUTION<br/>66.1105(4)(gm)</b></p>  |

The creation resolution must contain the following information:

- a. Describes the boundaries of the district. They do not need to be the same as those recommended by the Planning Commission, but should include only whole parcels as they appear on the assessment roll. The TID must be a contiguous geographic area and may not have any parcels that are connected to the rest of the district only by a river, street or other right-of-way. No more than 25% of the area may be vacant property, except in industrial districts and mixed-use. The boundaries of the district may not include any annexed territory that was not within the boundaries of the city as of January 1, 2004, unless: (1) At least 3 years have elapsed since the territory was annexed; (2) the city enters into a cooperative plan boundary agreement with the town from which the territory was annexed; or (3) the city and town enter into another kind of agreement relating to the annexation whereby they agree to pay the town an amount equal to the property taxes levied on the territory by the town at the time of annexation for each of the next 5 years.
- b. Establishes the district's creation date. This date is dependent on the date the resolution is adopted. The table below shows how to determine the creation date.

<u>Date Resolution Adopted</u>	<u>Date of Creation</u>
Oct. 1, 2003 - Sept. 30, 2004	Jan. 1, 2004
Oct. 1, 2004 - Sept. 30, 2005	Jan. 1, 2005
Oct. 1, 2005 - Sept. 30, 2006	Jan. 1, 2006

- c. Establishes the formal name of the district. The first district in a municipality is called Tax Incremental District Number One, City of \_\_\_\_\_. Each subsequent district is given the next consecutive number. This number remains with the district even after it is terminated or dissolved.
- d. Contains findings that:
  - i. Not less than 50% of the real property meets at least one of four criteria. It must be a blighted area, be in need of rehabilitation or conservation, or be suitable and zoned for industrial sites, or suitable for mixed-use development.
  - ii. The improvement planned will likely enhance significantly, the value of most of the other property in the district. The specific parcels meeting this criteria do not need to be identified.
  - iii. The project costs are consistent with the reason the district is created. For example, projects planned in a district created to eliminate blight must be aimed at accomplishing that goal.
  - iv. The equalized value of taxable property of the district plus the value increment of all existing districts does not exceed 12 percent of the total equalized value of taxable property within the city.
- e. Confirms that any property within the district found suitable for industrial sites and zoned for that purpose, will remain under that zoning for the TID's life. (Not required for blight, rehab, or mixed-use districts).

10. Joint Review Board (JRB) approves the proposal. It reviews the public record, planning documents and the resolution passed by the local legislative body under paragraph (4)(gm). The municipality is required to provide the JRB with information and projections listed in paragraph 66.1105(4)(i).

**JOINT REVIEW BOARD  
APPROVES  
66.1105(4M)(b)and (c)**

The district cannot be created unless the Board approves the creation resolution. Approval is by majority vote within 30 days after receiving the creation resolution. The JRB must submit its decision to the municipality within 7 days of making it. The JRB must contain a positive assertion that, in its judgment, the development described would not occur without the creation of the TID.

The Board's decision to approve or deny the proposal must be based on three criteria. The first is whether the expected development would occur without using TIF, the second is whether the economic benefits are sufficient to compensate for the cost of improvements, and third whether the benefits outweigh the anticipated tax increments to be paid by property owners in overlying districts.

The Board must issue a written explanation to the municipality if it rejects the proposal.

After the district has been approved by the municipality and the Joint Review Board, the city clerk must submit an application to the Department of Revenue for base value certification. DOR provides forms for this purpose. All forms and other required information must be submitted to the Department by December 31 of the creation year [as defined in sub. (4)(gm)2].

**SUBMIT  
BASE VALUE  
APPLICATION  
66.1105(5)(b)**

The city assessor must identify parcels within a TIF district upon the assessment roll, with the name of the district. The clerk makes a similar notation in the tax roll.

**IDENTIFY TID  
PARCELS ON  
ASSESSMENT ROLL  
AND ON TAX ROLL  
66.1105(5)(f)**

### **Separate Hearings Method**

This method requires holding two separate hearings, one for the project plan and another for the district boundaries and creation. Requirements for the boundary public hearing appear in the TIF law before those for the project plan hearing, but the law does not specifically state which one must be held first.

These instructions assume the project plan hearing will be first. The whole separate hearing process takes less time when done in this order. That's because the 30-day waiting period between the project plan hearing and creation resolution adoption can be taking place while preparing for and holding the boundary hearing. The following steps are required to implement the law's provisions under the separate hearing scenario, with the project plan hearing first.



1. A proposed project plan is prepared by the Planning Commission. All the items listed below must be included:
  - a. A listing of the kind, number and location of the proposed public works or improvements within the district.
  - b. An economic feasibility study.
  - c. A detailed list of estimated project costs.
  - d. A description of the financing methods and the time when the costs or obligations are to be incurred.
  - e. A map showing existing uses and conditions of real property in the district.
  - f. A map showing proposed improvements and uses.
  - g. Proposed changes in zoning ordinances, master plan (if any), map, building codes and city ordinance.
  - h. A list of estimated nonproject costs.
  - i. A statement of the proposed method for relocation of any displaced persons.
  - j. Indication as to how creation of the district promotes orderly development in the city.
  - k. An attorney's opinion advising whether the project plan is complete and complies with the law.

The Planning Commission prepares the project plan.

2. A public hearing notice is prepared for publication. It indicates when the project plan hearing will be held. A statement advising a copy of the plan will be provided on request must be included.
3. Specific properties in the district that are blighted or in need of rehabilitation or conservation work are identified. Owners of these properties shall be notified of the finding and the hearing date at least 15 days before the hearing is to be held. (Not required for industrial districts).
4. A copy of the hearing notice must be sent by 1st class mail to all governmental entities having power to levy taxes on property located within the proposed TID boundaries. The notice is sent to the school board of any school district and the Chief Executive Officer of all other taxing entities. The notice must be sent by First Class mail before the hearing notice is published.
5. The project plan hearing notice is published as a Class 2 notice under W.S. Chapter 985. The notice should contain the public hearing date, information as to where the proposed district is located and a statement indicating a copy of the project plan will be provided on request. It could also contain a brief description or a map of the area proposed to be included in the district. If it is anticipated that the proposed project plan's project costs include cash grants made by the city to owners, lessees, or developers of land that is located within the tax incremental district, the hearing notice should contain a statement to that effect. It is important that the hearing notice is published properly. The Department of Revenue cannot certify the district without a timely public hearing notice publication. See warning on page 3.

**PREPARE PROPOSED  
PROJECT PLAN  
66.1105(4)(f)**

**PREPARE NOTICE OF  
PUBLIC HEARING  
66.1105(4)(e)**

**NOTIFY CERTAIN  
PROPERTY OWNERS  
66.1105(4)(c)**

**SEND NOTICE BY 1ST  
CLASS MAIL TO LOCAL  
GOVERNMENTAL  
ENTITIES  
66.1105(4)(e)**

**PUBLISH CLASS 2  
NOTICE  
66.1105(4)(e) & (5)(d)**

6. The public hearing is held on the date indicated in the notice. The Planning Commission conducts the hearing. All interested parties should be given a reasonable opportunity to express their views. This hearing must be held at least 7 days after the second hearing notice publication and a minimum of 30 days before the legislative body adopts a creation resolution for the district.

**HOLD PUBLIC HEARING  
FOR PROPOSED TID  
PROJECT PLAN  
66.1105(4)(e)**

7. The project plan is adopted and approved. The Planning Commission adopts the project plan and submits it to the legislative body for approval. The plan must be approved by the legislative body before or concurrent to adoption of the creation resolution. Approval must be by resolution which contains findings that the plan is feasible and in conformity with the city's master plan, if it has one.

**PLAN ADOPTED BY  
PLAN COMMISSION,  
APPROVED BY CITY  
COUNCIL  
66.1105(4)(f) & (4)(g)**

8. The Planning Commission prepares a second hearing notice for publication. This notice indicates when the public hearing will be held to consider the district boundaries and creation. It must be published as a Class 2 notice, again being careful to meet all Class 2 notice requirements. A copy of the notice must be sent prior to publication to the same taxing entities that received a project plan hearing notice. This notice must also be sent by First Class mail. It could include a brief description or map of the area to be included.

**PREPARE & PUBLISH  
HEARING NOTICE  
NOTIFY LOCAL  
GOVERNMENT  
ENTITIES  
66.1105(4)(a)**

9. A Joint Review Board must be convened. Members of the Board are appointed by the school district, county, vocational school district and the municipality. (If located in a union high school district, the school district representative for the board shall be held by 2 representatives, each of whom has one-half of a vote.) There is also a public member appointed by the others. The Board must hold its first meeting within 14 days of the first hearing notice publication, but before the public hearing. The chairman and public member should be selected by the others at the first meeting. **Note:** When the project plan public hearing is held first, the Joint Review Board does not have to be convened until afterward. It is not required by state, but as a courtesy, reference to the JRB could be included in the cover letter sent to other taxing entities with the project plan notice.

**CONVENE JOINT  
REVIEW BOARD  
66.1105(4)(a)**

10. The Planning Commission holds the public hearing regarding district boundaries and creation on the date indicated in the hearing notice. All interested parties are given a reasonable opportunity to express their views on the proposal. After the hearing the Planning Commission designates the district boundaries it recommends and submits its recommendation to the local legislative body.

**HOLD PUBLIC HEARING  
FOR PROPOSED TID  
BOUNDARIES AND  
CREATION  
66.1105(4)(a)**

11. The local legislative body adopts a resolution creating the TIF district, at least 14 days after the project plan hearing was held. The creation resolution must contain the same information and findings that are described in items (a) through (e) in the combined hearing method, page 6.

**APPROVE TID  
CREATION BY  
RESOLUTION  
66.1105(4)(gm)**

Likewise the municipality must provide the Joint Review Board with the same information and the JRB must take action based on the same criteria and time schedule described in the combined hearing method.

**JOINT REVIEW BOARD  
APPROVES  
66.1105(4m)(b) & (c)**

The local clerk must submit a request for base value certification along with all required documents and forms to the Department of Revenue by December 31 of the creation year. If the resolution is adopted during the period October 1, 2004 through September 30, 2005, the application is due to DOR by December 31, 2005.

**APPLY FOR  
BASE VALUE  
66.1105(4)(b)**

The city assessor must identify parcels within a TIF district upon the assessment roll, with the name of the district. The clerk makes a similar notation in the tax roll.

**IDENTIFY TID  
PARCELS ON  
ASSESSMENT ROLL  
AND ON TAX ROLL  
66.1105(5)(f)**

### **May the Boundaries and Project Plan Be Amended?**

A municipality may modify a district's boundaries not more than 4 times during the district's existence, provided that the equalized value of taxable property of the district plus the value increment of all existing districts does not exceed 12% of the total equalized value of taxable property within the city. This modification is done by amending the Project Plan. The area added must be contiguous and be served by public works or improvements that were created as part of the district's Project Plan. Project plans may be amended to change or add projects at any time or to allocate increment from one TID to another. Procedures for amending a plan are described in s. 66.1105(4)(h)1.

**MODIFYING  
BOUNDARIES  
66.1105(4)(h)2**

Project plan amendments are prepared by the Planning Commission. A public hearing must be held, taxing entities notified, a Class 2 notice published and a Joint Review Board convened. The amendment must be adopted by the Planning Commission and approved by the local legislative body and Joint Review Board. The Joint Review Board's approval must contain a positive assertion that, in its judgement, the development described in documents that the board has reviewed would not occur without the creation of a tax increment district.

**PREPARE NOTICE OF  
PUBLIC HEARING  
66.1105(4)(h)2**

Basically these actions must be done on the same time schedule as when the district was created. These requirements apply to all types of amendments.

1. A public hearing notice is prepared for publication and a copy is sent to each taxing entity by First Class mail before it is published.
2. A Class 2 notice under Chapter 985, is published twice, i.e., once each week in consecutive weeks with the last publication at least 7 days before the event. (Ex. 1st notice posted 12-7-04, 2nd notice posted 12-14-04, earliest public hearing held 12-21-04.) It must include the purpose and cost of the amendment and advise that a copy will be provided on request.
3. The Joint Review Board must meet within 14 days of the hearing notice publication, but before the public hearing. The chairman and public member are chosen at this meeting.
4. After the hearing, the Planning Commission adopts a resolution approving the amendment and submits it to the local legislative body for approval.

**CONVENE JOINT  
REVIEW BOARD  
66.1105(4m)(a)**

**PLAN COMMISSION  
ADOPTS RESOLUTION  
66.1105(4)(h)**

5. Council approval must contain findings that the amendment is feasible and in conformity with the master plan if the city has one. There does not have to be a 30 day period between the public hearing and approval by the legislative body.
6. The Joint Review Board must also approve the amendment (by majority vote) before it can take effect. This takes place within 30 days after receiving the amendment and supporting information. The JRB notifies the municipality of its decision within 7 days of making it. It must provide a written explanation if it rejects the proposal.
7. Within 60 days after final approval of the amendment, the city clerk must give the Department of Revenue written notice that the project plan has been amended. Also, copies of the amendment; hearing notice; letter to other taxing entities; affidavit of hearing notice publication; and resolutions adopted by the Planning Commission, legislative body and Joint Review Board should be sent to the Department.
8. The Department will review this information to determine whether or not the base value of the district must be redetermined. This is done if the amendment adds or subtracts territory, or includes additional project costs at least part of which will be incurred after the district's project implementation period. If the boundaries are modified, the value of the new area is determined and added to the original base value.
9. The local clerk must submit a request for base value redetermination along with all required documents and forms to the Department of Revenue by December 31 of the creation year. If the resolution is adopted during the period October 1, 2004 through September 30, 2005, the application is due to DOR by December 31, 2005.

Also, each year after May 1 but before May 21, the city clerk must notify the Department of any amendment adopted during the preceding year. A form is provided in the subsequent year packet for this purpose.

### **How Is the Base Value Determined?**

The Tax Increment Law specifies that when a tax incremental district is created, its base value must be determined as soon as reasonably possible. The city clerk applies in writing to the Department of Revenue on prescribed forms. The clerk must fill out the forms available on the internet at [www.dor.state.wi.us](http://www.dor.state.wi.us) and submit them with the base certification application by December 31 in the year the district is created. Instructions for completing them are printed on each form.

**LOCAL LEGISLATURE  
APPROVES TID  
PROJECT PLAN  
AMENDMENT  
66.1105(4)(h)**

**JOINT REVIEW  
BOARD APPROVES  
66.1105(4m)(b) and (c)**

**NOTICE SENT TO  
D.O.R.  
66.1105(5)(cm)**

**TID BASE VALUE  
REDETERMINED  
IF NECESSARY  
66.1105(5)(c) & (5)(ce)**

**APPLY FOR  
REDETERMINED  
BASE VALUE**

**CLERK MAKES  
APPLICATION TO  
D.O.R.  
66.1105(5)(b)**

1. The following items must be included in the base application:

- a. Equalized Value Determination Request Form
- b. Legal Requirements Form
- c. TID Parcel Lists
  - 1) Assessable Property
  - 2) State Assessed Manufacturing Property
  - 3) Tax Exempt, City-Owned Property
- d. Base Year Personal Property List
- e. Assessor's Final Report and Special District Supplement
- f. Statement of Assessment
- g. A map of the district with parcel numbers listed. The numbers should correspond to those on the parcel lists.
- h. A boundary description - must describe outer boundaries, not just a listing of property included
- i. Proof that other taxing entities were sent a hearing notice prior to publication - i.e., copies of cover letter or affidavit by clerk
- j. A copy of letter sent to owners of blighted or rehab. property (not required for industrial).
- k. Affidavit of Public Hearing Notice Publication from newspaper
- l. A copy of the adopted project plan and planning commission approval resolution
- m. A copy of the creation resolution
- n. A copy of the Joint Review Board resolution approving the resolution adopted by the legislative body

**CITY-OWNED  
PROPERTY VALUE  
DETERMINED  
66.1105(4)(k),  
66.1105(5)(bm)**

2. The Department of Revenue uses this information, plus its other resources to determine the full aggregate value of the taxable and certain city-owned property in the district. This full aggregate value constitutes the district's tax incremental base value. Note: The Department may not certify the tax incremental base until it determines that each of the procedures and documents required have been timely completed and all notices required timely given or if the limits on newly platted residential development in existing mixed-use district are breached.

**D.O.R. DETERMINES  
FULL AGGREGATE  
VALUE  
66.1105(5)(b)**

3. The Department sends notification of the base value to the municipal clerk. The items received in the base application are reviewed and any problems resolved. Then the information is forwarded to the District Office where the value is determined.

**D.O.R. CERTIFIES  
TAX INCREMENTAL  
BASE TO CLERK  
66.1105(5)(b)**

4. Annually the Department of Revenue sends valuation notices to the designated finance officer of each taxing jurisdiction that has power to levy taxes on property within the district. This notice includes the base value, current equalized value and the equalized value increase (value increment). These values are used as the basis to calculate the tax increment each year.

**D.O.R. ANNUALLY  
GIVES VALUE  
NOTICES TO  
FINANCE OFFICERS  
66.1105(5)(g)**

## **When Do Tax Increments Start?**

Positive tax increments are allocated to the municipality for a TID each year commencing after the date the project plan is adopted providing the clerk and assessor submit all required information to the Department of Revenue by the second Monday in June.

**POSITIVE TAX  
INCREMENT  
ALLOCATED  
66.1105(6)(a)**

Beginning in 1981, the project plan had to be approved prior to or at the same time the creation resolution was adopted, therefore all districts are eligible to receive tax increments the year after creation if the clerk and assessor submit timely information.

Because values are determined annually as of January 1 and taxes are levied in December for collection the following January, it takes more than a year after creation before any tax increment revenues are actually received.

For example:

- a. In 2003, city "X" creates TID #1 by common council resolution adopted September 6. (Deadline is September 30).
- b. In December the city clerk submits an application to the Department of Revenue for base value certification. (Deadline is December 31).
- c. The base value is certified February 16, 2004, reflecting the TID's value as of January 1, 2003.
- d. DOR receives subsequent year information from the assessor on May 8, 2004.
- e. On September 1, 2004, the current year value and value increment are certified. They represent the district's value as of January 1, 2004.
- f. In December 2004, tax levies are apportioned and the tax increment calculated, assuming the TID has experienced an increase in value.
- g. Beginning in January, 2005, tax payments are received by municipality and proportionate amounts are deposited in the TIF fund.

Thus, a district officially created in September 2003, and effective January 1, 2003, does not receive any revenue until January, 2005, at the earliest. In this example there is a lag of 16 months from the adoption of the resolution to receipt of first tax increment revenue.



## **Where Does the Increment Come From?**

The tax increment is an allocation of property taxes based on increased values in the TID. When positive tax increments are authorized by DOR, the value of property in a TID may not exceed the base value for apportionment purposes.

While the district exists, the Local Government Services Bureau will send the city clerk a form and instructions for calculating the tax increment. The increment must be added to each apportioned levy before the local mill rate is determined. The difference between the apportioned levies and taxes actually collected is the tax increment.

## **What Happens to the Tax Increments When Collected and When the TID Ends?**

1. Every officer charged by law to collect local general property taxes must first pay the tax increment portion of collections to the municipal treasurer on each settlement day. For example, if the tax increment represents ten percent of the total tax levy, then ten percent of taxes collected by a particular settlement date must be paid to the treasurer for the TIF fund before disbursement to other taxing entities.
2. When the city treasurer receives tax increments they should be deposited into the TIF fund without delay. The treasurer may also deposit other moneys into the fund as directed by the local legislative body. Moneys in the fund may be temporarily invested subject to agreement of bond holders and if earnings are used to reduce project costs.
3. Money in the TIF fund can only be used to:
  - a. Pay project costs,
  - b. Reimburse the city for such payments,
  - c. Satisfy claims of bond or note holders for securities issued for TID projects or
  - d. Allocate funds to another TID.
4. Money paid out of the fund for project costs may be paid before or after the district is terminated. This allows a municipality to terminate a district before all bond or note payments have been made if sufficient funds are available so investing them will provide for principal and interest payments to be made at a future date.
5. After all projects costs have been paid, all bonds and notes are paid or payment provided for and voluntary deposits by the city reimbursed; any remaining moneys must be paid over to the taxing entities in proportion to the amount each has contributed. Thus, if a school district levy represents fifty percent of the levy the year a TID is terminated, then the school district shall receive fifty percent of the funds remaining after all liabilities of the district have been provided for.

**BASE VALUE USED  
FOR PROPERTY TAX  
APPORTIONMENT  
66.1105(11)(a)**

**INCREMENT  
COLLECTED AND  
PAID TO MUNICIPAL  
TREASURER  
66.1105(6)(b)**

**INCREMENT  
DEPOSITED IN  
SPECIAL FUND  
66.1105(6)(c)**

**TID PROJECT  
COSTS PAID  
66.1105(6)(c)**

## **How Long Can A District Exist?**

### **A Tax Increment District May Remain in Existence Until the Earlier of:**

1. When the city has received aggregate increments equal to the total project costs in the project plan and its amendments,
2. Five years after the last expenditure is made for a maximum of 27 years for districts created in blighted areas and rehabilitation or conservation work areas that were created after September 30, 1995. For industrial sites and mixed-use land districts created after October 1, 2004, 5 years after the last expenditure is made for a maximum of 20 years.
3. The local legislative body dissolves the district by resolution. The municipality then becomes liable for any costs actually incurred that are not paid by moneys in the TIF fund. Paragraph (7)(b) says the city is not liable for any tax increment bonds or notes issued. However, a December, 1992 Wisconsin Supreme Court decision ruled that Tax Incremental Bonds do constitute debt under Article XI, Sec. 3 of the Wisconsin Constitution. Therefore the municipality is liable for any of these obligations outstanding when a district is dissolved. To our knowledge no municipality has ever marketed a pure tax increment bond.

The Department of Revenue will authorize allocation of tax increments annually, provided the clerk and assessor submit required information on time each year or until the Department receives proper termination notice from the municipality, whichever comes first.

### **Does the Municipality Need to Notify Anyone When the TID Is Terminated?**

When a municipality passes a resolution to terminate or dissolve the TID district it must give the Department of Revenue notice. This must be written notice within 60 days. Also, annually, before May 15th, the Department requires the municipality to inform them whether or not to certify an increment.

After the notice is forwarded by the city to the department, the city and department shall agree on a date the city shall provide information to the department. All the following information that relates to the terminated tax increment district will be submitted on a prescribed form:

- a final accounting of all expenditures made by the city,
- total amount of project costs incurred by the city,
- total amount of positive tax increments received by a city,
- total amount of project costs, if any, not paid for with tax increments that become obligations of the city after the district was terminated.

The chart below illustrates both situations for a notice received in 2005:

<b>Date Notice Received</b>	<b>Effective Date</b>	<b>2005 Value Increment Certified</b>	<b>Final Levy Year</b>	<b>Final Tax Collection Year</b>
1/1 - 5/15	Date Received	No	2004	2005
5/16 - 12/31	1/1 - 2006	Yes	2005	2006

**TERMINATE DISTRICT  
WHEN ALL COSTS ARE  
PAID OR DISSOLVED  
BY RESOLUTION  
66.1105(7)**

**D.O.R. AUTHORIZES  
TAX INCREMENT  
ALLOCATION  
66.1105(6)(a)**

**MUNICIPALITY  
NOTIFIES THE  
DEPARTMENT OF  
REVENUE WHEN  
TID IS TERMINATED  
66.1105(8)a & b**



For more information about creating Tax Increment Districts and amending project plans contact:

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Equalization Section  
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Madison, WI 53708-8971

or

Email: [tif@dor.state.wi.us](mailto:tif@dor.state.wi.us)

Phone: Susan Plakus at (608) 261-5335,  
Josh Dukelow at (608) 266-5513, or  
Judie Gibbon at (608) 266-5708

Check our web site at [www.dor.state.wi.us/slf/tif.html](http://www.dor.state.wi.us/slf/tif.html) = Tax Incremental Financing Information

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